

# **SMALL BUSINESS LOAN FUND CORPORATION**

## **MINUTES OF THE BOARD OF DIRECTORS**

**July 18, 2011**

### **PUBLIC SESSION**

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on July 18, 2011 at approximately 8:00 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty, Mr. Richard DeMerchant, Mr. William Parsons, Ms. Leslie Taito and Mr. Thomas Stocker.

The following Director(s) were absent: None

Also present were: Sean W. Esten, Corporation Administrator, Steven Noack, Corporation Administrator, Stacy Farrell, Corporation Staff, Susan Morgan, Corporation Administrator, Earl F. Queenan, interim Managing Director of Financial Services, and Tom Moses, Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

#### **1. Call to Order.**

Mr. Fogarty called the meeting to order at 8:05 a.m.

#### **2. Approval of the Minutes of the Meeting Held on June 23, 2011.**

The first item to come before the Board was approval of the Public Session Minutes and the Executive Session Minutes of the Board meeting held on June 23, 2011. Upon motion duly made by Mr. Stocker and seconded by Ms. Taito, the motion to approve the Public Session Minutes and the Executive Session Minutes of the meeting held on June 23, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons, Ms. Taito and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

**3. Maintain the Executive Minutes of June 23, 2011 Confidential.**

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on June 23, 2011. Upon motion duly made by Ms. Taito and seconded by Mr. Stocker, the motion to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on June 23, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons, Ms. Taito and Mr. Stocker.

The following Directors voted against the foregoing: None.  
The following Directors were absent for the vote: None.

**4. Report of Cash Position as of June 30, 2011.**

Mr. Fogarty asked if the Board had any questions for staff regarding the report of Cash Position as of June 30, 2011. There were no questions from the Board regarding this report.

**5. Delinquency Loan Report as of July 1, 2011.**

Mr. Fogarty asked if the Board had any questions for staff regarding the Delinquency Loan Report as of July 1, 2011. There were no questions from the Board regarding this report.

**6. Policy Regarding Loan Reserve and Charge-Offs**

Mr. Esten provided the Board with a draft of the policy which was created in order to rate the credits within the portfolio. This system would enable staff to develop a uniform approach to reserve amounts and establish when best to consider charging a loan off. Mr. Esten asked that the Board review this policy and provide feedback prior to the next meeting of the board. Any revisions, if necessary, are to be completed by the next meeting and staff asks that the Board vote to implement said policy. Mr. Moses also suggested that Mr. Esten consider the development of a subcommittee, or credit committee, to aide with the rating of these credits as well and to advise regarding charge off and reserve. Mr. Stocker also advised that a system needed to be developed for the interest rate charged on initial credits in order to maintain consistency, which Mr. Esten indicated he would work on. There were no further comments or questions from the Board regarding this report.

**7. Financial Reporting update and delinquency**

Ms. Farrell updated the Board regarding the current status of financial reporting. She provided the board with a memorandum which indicated which companies had not provided either personal or business financial statements as of July 11, 2011. Ms. Taito

asked for the number of times each company was contacted regarding this matter. Ms. Farrell indicated that each company was sent three letters, the last of which stated that the default rate would be invoked by July 31, 2011 if compliance was not met, in addition to a minimum of two phone calls. Mr. DeMerchant asked what the default rate of interest was to be and Ms. Farrell stated it would be a four percent increase of the borrower's current rate of interest. Mr. DeMerchant then asked if the rate would be increased until such time that this information was provided. Ms. Farrell confirmed that it would. Once the information was provided the rate would be returned but it would not be retroactive. Mr. Moses suggested that a letter be included in the statement with the increased payment with a copy being provided to the Borrowers attorney as well.

There was no further discussion from the Board.

## **8. Executive Session**

Mr. Fogarty suggested that the Board move into Executive Session. Upon motion duly made by Mr. Parsons and seconded by Ms. Taito, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons, and Ms. Taito and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

Public session concluded and executive session began at 8:10 a.m.

## **9. Executive Session Vote Ratification**

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Mr. Stocker and seconded by Mr. DeMerchant, the following votes were ratified:

- (a) To approve the request for a \$250,000 loan by Truck Solutions.
- (b) To put the approved request for a \$250,000 loan by NAIAD Inflatables on hold until such time the litigation claim pending against them was resolved in manner satisfactory to the legal counsel of SBLFC.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons, and Ms. Taito and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Taito, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons, and Ms. Taito and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: None.

The meeting was adjourned at 9:09 a.m.

Respectfully submitted,

/s/ Sean W. Esten

Sean W. Esten, Administrator

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